

Testimony for the Record  
Before the United States House of Representatives  
Committee on Armed Services  
Subcommittee on Readiness  
April 1, 2009

National Security Personnel System – The Way Forward

## **The National Security Personnel System and the Need for a Cautious Approach in Crafting the Future of the Civil Service**

**Statement of  
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Chairman Ortiz, Ranking Member Forbes and Members of the House Armed Services Subcommittee on Readiness:

My name is Darryl Perkinson and I am here today representing the over 200,000 managers, supervisors and executives in the federal government in my role as National President of the Federal Managers Association (FMA). Please allow me to take a moment and thank you for this opportunity to present our views before your Subcommittee. As federal managers, we are committed to carrying out the mission of our agencies in the most efficient and cost effective manner while providing necessary services to millions of Americans.

Currently I serve as the Nuclear Training Manager for the Production Training Department at the Norfolk Naval Shipyard (NNSY) located in Portsmouth, Virginia. I have completed 29 years of federal service in the Department of Navy, the last 23 of which were in management. I began my tenure as an Electrical Apprentice and moved up to my present managerial position in the training department. During my career, I have spent time in three separate pay systems – first as a Wage Grade employee, then a General Schedule (GS) employee and now a National Security Personnel System (NSPS) employee. Over the past eighteen months, I have been involved with NSPS as a rating official and an employee being rated. During my career with FMA, I have held many positions, including Chapter officer, Zone President, National Vice President and I am presently serving my second term as National President. Please keep in mind that I am here on my own time and of my own volition representing the views of FMA and do not speak on behalf of the Department of Navy.

Established in 1913, the Federal Managers Association is the largest and oldest association of managers and supervisors in the federal government. FMA was originally organized to represent the interests of civil service managers and supervisors in the Department of Defense (DOD) and has since branched out to include some 35 different federal departments and agencies, including managers and supervisors at DOD under the National Security Personnel System. We are a nonprofit, professional, membership-based organization dedicated to advocating excellence in public service and committed to ensuring an efficient and effective federal government. As stakeholders in the ultimate success or failure of NSPS, we appreciate the opportunity to appear before you today.

The face of America's workforce is changing. A model once attractive for employing the most talented members of the workforce, the federal civil service now seems unreflective of the expectations of new job seekers by today's standards. The current General Schedule pay system and performance review methods are antiquated. We at FMA support any changes that guarantee increased flexibilities, accountability and performance results. However, we are increasingly realizing that NSPS is not delivering on its promises.

The Department of Defense is the largest employer of federal civilian employees, with nearly 700,000 of the 1.8 million member workforce under its purview. Currently, about 205,000 DOD employees are serving under NSPS, most of whom are managers and supervisors. This hearing marks the seventh time FMA has appeared before Congress to discuss the ongoing implementation of NSPS since the regulations were first proposed.

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## **BACKGROUND**

Over the past few years, the Department of Defense has embarked on an historic implementation of a new personnel system positioned to change the face of the federal workforce. Much has happened to bring us to this point. With the passage of the National Defense Authorization Act of 2004 (P.L. 108-136), DOD was granted the authority to embark upon civil service reform within the agency. Included in the legislation was the authorization for major changes to the pay, hiring and staffing, labor relations, collective bargaining, adverse actions, appeals process, reductions-in-force, and performance review systems governed by Title 5 of the U.S. Code. Justification was based on the critical and urgent need to create a flexible and dynamic human resources system that would allow Pentagon employees to respond quickly to any threats to our national security and prevent any military actions that would harm America. While this justification has come under fire, we agree that the needs of national security and protecting America's infrastructure, citizens and interests around the globe require our undivided attention.

Under NSPS, an employee's pay raise, promotion, demotion or dismissal is far more uninhibited than is currently established in the General Schedule. We support the premise of holding federal employees accountable for performing their jobs effectively and efficiently and rewarding them accordingly. More specifically, the removal of a pass/fail performance rating system that does not allow for meaningful distinction of productivity is a step in the right direction.

The final regulations governing NSPS were released in October 2005 and went into effect 30 days after. Initially, 65,000 new employees were set to enter the system in January 2006. At the time, FMA cautioned against such an ambitious roll out to ensure adequate time for training was allotted. As such, civilian employees were first converted to NSPS in April 2006 under Spiral 1.1. Over the last three years, implementation plans have slowed considerably, epitomized by Congress' mandate to exclude Wage Grade employees and the Pentagon's decision not to enroll collective bargaining unit employees.

The mission-critical nature and sheer size of the Pentagon made the success of the development and implementation of the new personnel system vital. Initially, we at FMA were optimistic NSPS would help bring together the mission and goals of the Department with the on-the-ground functions of the homeland security workforce. Three years into the process, we have yet to see widespread success of the system.

## **MY PERSONAL EXPERIENCE WITH NSPS**

As a current employee at the Norfolk Naval Shipyard, I have been rated and have rated others under NSPS for one complete pay cycle. At my location, we experienced a mock pay run and completed a performance period in January 2009. I appreciate the opportunity to provide you with a synopsis of my experience as a person rated and as a rating official.

In the role of being rated, I experienced the gamut of what can happen to an individual employee. I had what I would call a "hands off" rating official. While we followed the step-by-

step process laid out in the online rating system, I never had any of the active discussions suggested in the training. One reason for this was that the rating official to whom I was assigned was preparing for retirement and subsequently retired prior to the end of the timeframe for the conversations that were required. While I took the time to write a detailed self-assessment, I truly feel that it was never reviewed by my rating official. In his assessment, I received few comments on the issues which I reflected upon in my assessment except for confirmation that he agreed with them; however, no added positives or negatives were written. Prior to my rating official's departure, I had no conversation nor was one even initiated concerning my progress or rating. The duty of revealing my rating was handed off to my rating official's replacement and in our conversation about my rating, he began by informing me of my rights to ask for reconsideration. This indicated to me that it was likely I was going to disagree with my rating, and I did. I pursued reconsideration successfully and after my appeal to the Pay Pool Manager, I received an increase in my share distribution and award amounts. The reconsideration process worked well and seemed to be fair.

Ideally, my experience would be one that never occurs for an employee. Even in the event of a departing rating official, there should be a face-to-face explanation of your performance by said rating official. It is important for the conversations to occur and be understood by both parties for the process to be fair.

As a rating official, I felt the conversations with my employees went smoothly and were useful to them as well as to me. In reality, all managers should be interacting with their employees such that these conversations become the norm in an effort to understand what their employees do and if they need help. Overall, the experience with my employees was rewarding except for the rules that do not allow the rating official to divulge his/her rating until it has passed through the pay pool panel process. The awkwardness of this portion of NSPS instills a level of distrust despite the relationship you may have with your employees.

## **NSPS PROGRAM DEFICIENCIES AND RECOMMENDATIONS**

We at the Federal Managers Association have been closely monitoring the implementation of NSPS and have received significant feedback from our members as they transition. If one thing is certain, it is that no single view of the system exists. However, several themes have emerged throughout this process.

Overall, FMA managers and supervisors believe a switch to pay-for-performance is necessary not only to compete with the private sector for talent, but also to encourage and reward high performance. The time for rewarding employees simply for longevity has passed. Many of the hard-working federal managers entering NSPS want to be rewarded for the job they do. However, the system is not without its flaws.

The implementation of NSPS has caused a fundamental shift in the culture at DOD; a shift for which many of our members were not adequately prepared. This has marked the biggest change to a federal agency personnel system in over a generation. We have heard strong calls from our members to return to the General Schedule pay system. As discussions continue on Capitol Hill and in the Administration regarding the future of the system, we at FMA believe

certain changes need to be made while NSPS serves as DOD's pay system, and we appreciate the opportunity to discuss them with you today. It has been our experience that DOD leadership is out of touch with what is being carried out on the ground. Below is a list of problems and recommendations we believe DOD should address to ensure a fair and transparent system.

Going into the new system, the biggest cause for concern among our members was how the funds in the pay pools would be distributed. In 2007, Congress determined that all DOD employees rated above "unsuccessful" must receive no less than sixty percent of the General Schedule raise appropriated by Congress, with the remaining forty percent going into the pay pools, and one hundred percent of the locality pay adjustment.

It is absolutely critical that any employee rated a 3 (valued performer) or above should, *at a minimum*, receive the congressionally approved pay raise. Issues of fairness and low morale would certainly surface if a valued performer were to receive less than the GS raise. Employees who are considered valued performers but receive less than they would have under the General Schedule have no confidence in the system.

During the last three ratings cycles, we have seen the average pay raise under NSPS greatly exceed the GS raise over those three years. We are encouraged that the system is accurately rewarding high performers. However, there is no guarantee the pay pools will have the funds to distribute more than the 60 percent requirement. Should budgets be cut by Congress or the Administration, this trend could easily be reversed. If the pool of money is lacking, the performance of some deserving federal employees may go unrecognized, causing the system to fail in meeting its objectives, in addition to creating dissention among employees.

With a sixty percent pay increase guaranteed, it is feared any other pay employees receive (assuming performance standards are met or exceeded) will come in the form of a bonus which does not count towards basic pay for retirement purposes. This not only affects employees' salaries from this point forward, but also their high three and Thrift Savings Plan contributions. In such a situation, higher performing employees are better off under the old GS system.

The so-called bell curve distribution of raises is also of grave concern. If the system worked as intended, a bell curve should happen naturally without being forced. Managers and supervisors have reported extreme pressure from higher-ups to maintain a specified distribution of funds or performance ratings within each pay pool, despite claims from DOD leaders that this should not be occurring. There is severe danger of ratings being deflated or inflated to accommodate a small section of the population. Employees must receive the ratings their performance dictates and they should not be harmed by a capricious ceiling. For any personnel system to be fair and effective, evaluative ratings and performance awards must be based on merit, not quotas and arbitrary caps. Forced distribution does nothing but contradict a pay-for-performance system.

Vast differences in how the pay pools are awarded are also bothersome. Due to the nature of the pay pools, an employee rated a 4 in one pay pool could receive a very different raise than a 4 in a different pool at the same facility. This creates animosity towards fellow employees and

agency leadership. It is our belief that raises correlating to ratings should be the same throughout the Departments (Navy, Air Force, Army and Marine Corps), if not DOD-wide.

Aside from issues involving pay, we are also finding there is a lack of concrete business rules that allow for a transparent and fair deployment of pay-for-performance. As concerns about pay have been placed on the back burner, the focus of our members now centers on transparency and fairness. The process, as explained to our membership, creates a difficult environment for the rating officials on several levels. Additionally, we have received many valid concerns from those writing self assessments.

We have heard several reports of the Pay Pool Panels and Sub-Pay Pool Panels being out of touch with the objectives and job functions of the employees whom they are rating. I personally experienced this as well. If the Panel is the ultimate authority on the final evaluation attributed to each employee and is able to adjust a supervisor's prescribed rating, employees should have access to their evaluation before the Panel engages in the review cycle. The rating official's ranking should be revealed to the employee and any adjustments made post-rating should be explained and justified by the Panel making the adjustment.

As they are aware of the amount of money in the pool, the Panels have a direct stake in the final ratings of the employees. For example, let's say nearly everyone in the pool received a 4, with a few 2s and 3s. The Panel is acutely aware that those in the pool will receive a lower share value since there are so many 4s. As such, we have heard reports of great pressure from the Panels to lower ratings, especially in the cases of poorly written self-assessments, again, despite claims from DOD leadership that this should not or does not occur. The Panels are too focused on the impact they have on the share value. The sole purpose of the Pay Pool Panel should be to ensure fairness, transparency and consistency exist in the system.

Additionally, business rules require a supervisor to provide a feedback session before completing the NSPS appraisal, but we are hearing this usually does not take place. This is a key part of the NSPS process that is often not given the importance it deserves. Job objectives should be discussed with employees to ensure they line up with mission objectives, supervisors' objectives and where good work can be identified and how improvements can be made. We find it alarming these conversations are not taking place.

Many employees continue to feel uncomfortable in the assessment of their own work as required under NSPS. Inadequate training in this area has contributed to employees' lack of confidence in the delivery of their own rating, as they are not sure how to properly convey the value of the work they perform each day. For many employees, this is their first experience providing such information, and a self-evaluation that fails to reveal their full worth to the agency may have a significant negative effect on their paychecks. It has been our experience that the Pay Pool Panels heavily rely on one's written assessment, despite the fact that these assessments are not required. Additionally, most employees are reporting that they were never told the self assessment portion of the review was optional. More attention must be paid to properly train employees how to write self assessments in order to ensure employees get the rating their efforts merit.



If NSPS is to garner greater support from the employees engaged in its execution each day, more attention must be paid to the processes and enhanced coordination on which comprehensive implementation depends. A thorough examination of the ratings cycle and the prevalence of multiple pay systems within DOD and individual departments is necessary to allow employees to work with the system instead of against it.

An overwhelming number of employees have indicated that the cumbersome nature of the rating cycles is causing acute frustration among employees. It is not uncommon for the rating cycles to take upwards of six months and fifty percent of a manager's time. While workloads continue to increase as baby boomers flee the government for retirement, it is critical that we streamline the process. This will benefit both managers and the employees under their supervision whose salaries hinge on their evaluation.

Managers and supervisors have become increasingly aware of the negative impact NSPS has on agency recruitment. Many critical positions need to be filled in DOD, yet highly qualified personnel are not applying because the positions fall in their current pay bands. Employees are not considering jobs in the corresponding NSPS pay bands because accepting such positions would be considered a reassignment, not a promotion, translating into a five percent maximum salary increase. Qualified employees may be unwilling to take on the added responsibility associated with mission critical positions if they are not adequately compensated. Additionally, we have heard reports that contradict the original intent of NSPS to ease the hiring process from the outside. Many of our members have been told by their facility's leadership they must hire from within the Department.

DOD currently employs workers enrolled in the NSPS, GS, and Wage Grade pay systems. It is simply unacceptable that a single agency utilizes multiple pay systems that are often at odds with each other within individual departments. This problem is exacerbated when raises among equally performing employees differ. It is the view and recommendation of FMA that DOD establish cohesion within departments in order to foster a greater sense of equality among the workforce. Employees should not be at a disadvantage simply because they are enrolled in a different pay system than their counterparts whom they work alongside.

### **THE GENERAL SCHEDULE PAY SYSTEM**

In talking with FMA members over the last several years, I can tell you that some of them would be thrilled to simply return to the old GS system. However, I believe we all realize that this is not as easy as one might think. In addition to the significant cost involved, Congress should consider the following issues if we are to return to the GS system.

First and foremost, we must ensure employees' pay is protected. Employees who excelled under NSPS and were appropriately rewarded by increases in salary beyond the GS scale for their prior grades should not be penalized by losing pay or by not being eligible for future pay increases because of the current GS rules on pay retention. Given that the average pay raise under NSPS has far exceeded the GS raises, many employees are now a GS level, or in some instances two, above where they were when they entered NSPS, sometimes without added responsibility. We must ask ourselves what the options are for these employees. One suggestion

is to move them into the GS level where their current pay would place them. However, this might put them above the level of responsibility for which they are prepared. We also believe that such a scenario would make DOD top heavy with GS-14s and 15s.

A second suggestion, one that has been floated among groups not represented here today, would be to place the NSPS employees at the same GS level they were at when they converted and freeze pay until the GS schedule “catches up” with them. In such a situation, these employees would be above average performance-wise and should not have their pay negatively impacted because they were forced to endure a system they did not ask to be a part of.

A third suggestion is that these employees be put into a special rate category in which they would retain their current salary upon conversion and subsequently be eligible to receive the full congressionally approved pay raise and any future performance recognition rewards to which they would be entitled. However, this scenario would continue the three system pay structure DOD currently has in place; one that is proving difficult to manage in such a large, complex agency.

The current regulations would not allow these employees to be made whole, which would have a serious negative impact on morale. Most of the employees under NSPS are the key people in the organizations - managers and senior staff - and NSPS has proved a great incentive for high-performing individuals, at least in the area of pay.

We must also ensure that managers and supervisors are accurately rewarded for their managerial duties. With increased responsibility should come increased pay. We are moving into a time when bargaining unit employees are much less likely to become managers, mostly because the slight pay increase is not worth the large increase in duties.

Several provisions are currently in place under the GS system that allow managers and supervisors to award employees’ performance. I would like to discuss some of them, but I must point out that usage of these tools has been sparse throughout federal government and across agencies.

The large disparity in the average pay raises between GS employees and NSPS employees does not take into account Within Grade Increases (WGI), which can be up to three percent of an employee’s salary, Sustained Superior Performance (SSP) Awards, which can be up to five percent, and Quality Step Increases (QSI). Managers can also distribute small cash bonuses, usually between \$25 and \$250, for marked accomplishments. Some agencies also employ a Special Act or Service Award. This is a cash award given to recognize a meritorious personal effort, act, service, scientific or other achievement accomplished within or outside assigned job responsibilities and can be up to \$25,000. These are all monetary tools managers and supervisors have within the GS system to award performance.

There are also non-monetary awards available. Employees can be granted a Time Off Award which can be up to 80 hours of time off during a leave year without a charge to leave or loss of pay as an award for achievements or performance contributing to an agency’s mission. Other non-monetary awards include medals, certificates, plaques, trophies, and other tangible



incentives that have an award or honor connotation. These can be especially helpful if the employee receiving the award believes agency leadership is aware of his/her contributions.

As you can see, under the current system, there are rewards available to high performing employees that distinguish their performance. However, the resources available to managers and supervisors to reward those employees are limited, which renders them ineffective. The budget process for awards is normally based on a percentage of the aggregate base payroll (usually around 1.5 percent); therefore the total dollars available are insufficient. Additionally, while I wish it was not the case, the process for awarding employees is extremely cumbersome and therefore many managers do not spend the time to accurately identify performance and reward it appropriately. I believe many managers are also unaware that these incentives even exist.

It has been our experience that federal agencies have broad statutory authority to design and implement a variety of incentive programs to meet their specific needs, which causes wide variations among agencies. I have heard from managers in different agencies who use different methods of performance awards. In order for these awards to be used effectively, managers must have support from top agency leadership.

### **WHERE DO WE GO FROM HERE?**

We have heard many calls from our members to return to the GS system. We have also heard from several managers and supervisors within NSPS who have enjoyed finally being rewarded for the job they do and enjoy the flexibility NSPS offers them. The GS system, while steadfast and reliable, is not a sustainable tool for recruitment.

Any pay system, whether it be NSPS, GS or something entirely different, must adhere to certain basic principles. Additionally, a shift in the culture of any organization cannot come without an interactive training process that brings together the managers responsible for implementing the personnel system and the employees they supervise. If implemented properly, NSPS had great potential to retain and recruit a highly talented workforce. As Congress and the Administration debate where to go with the pay system at DOD, we suggest the following be included in any system:

- maintenance of current benefits for active duty and retired employees;
- no loss of pay or position for any current employee;
- merit principles preventing prohibited personnel practices as well as an adherence to current whistleblower protections and honoring and promoting veterans' preference;
- an appeals process for disciplined or terminated employees;
- adequate funding of "performance funds" for managers to appropriately reward employees based on performance;
- development of a performance rating system that reflects the mission of the agency, the overall goals of the agency, and the individual goals of the employee, while removing as much bias from the review process as possible;

- a transparent process that holds both the employee being reviewed and the manager making the decision accountable for performance as well as pay linked to that performance; and,
- a well-conceived, ongoing and mandatory training program that includes skills training and is funded properly and reviewed by an independent body (we recommend the Government Accountability Office as an auditor) which clearly lays out the expectations and guidelines for both managers and employees regarding the performance appraisal process.

We are encouraged that the Department heeded calls from this Committee to halt any more implementation of NSPS until an independent review of the system takes place. While the details of who will be part of this process are unknown, we would strongly suggest employee groups, both managerial and unions, be invited to participate. The unique experience of these employees allows them to convey what is working, what is not, and what is actually going on at the ground level, which is often not what the regulations dictate.

Change for change's sake is only going to compound the ongoing personnel challenges at DOD. It is imperative that any system stand by the principles of transportability, objectivity and transparency. We must take a cautious and deliberate path as we move forward. Thank you for the opportunity to appear before you today and I am happy to answer any questions you may have.